

HART AREA FIRE ADMINISTRATIVE BOARD

**OCEANA COUNTY
FINANCIAL STATEMENTS**

FOR THE YEAR ENDED JUNE 30, 2004

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Hart Area Fire Administrative Board	County Oceana
Audit Date 6/30/04	Opinion Date 12/20/04	Date Accountant Report Submitted to State: 12/30/04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

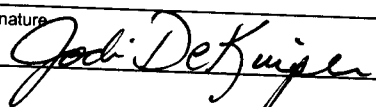
Certified Public Accountant (Firm Name) Hendon & Slate, P.C.			
Street Address 711 W Main		City Fremont	State MI
Accountant Signature 		ZIP 49412	Date 12/30/04

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CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS



Hart Area Fire Administrative Board
PO Box 125
Hart, Michigan 49420

Independent Auditor's Report

We have audited the accompanying financial statements of each major fund of the Hart Area Fire Administrative Board, Oceana County, Michigan, as of June 30, 2004 and for the fiscal year then ended as shown on pages 2 and 3, which collectively comprise a portion of the Board's basic financial statements required by accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and with the standards prescribed by the state treasurer. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Management has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities, business-type activities, and discretely presented component units. Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements. The amounts that would be reported in government-wide financial statements for the Board's governmental activities are not reasonably determinable.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Hart Area Fire Administrative Board, as of June 30, 2004, or the changes in its financial position or its cash flows, where applicable, for the year then ended.

Hendon & Slate, P.C.

Hendon & Slate, P.C.
Certified Public Accountants
December 20, 2004

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HART AREA FIRE ADMINISTRATIVE BOARD

Governmental Fund Balance Sheet June 30, 2004

	General Fund
ASSETS	
Cash and Equivalents	\$ 91,711
Accounts Receivable	<u>33,897</u>
Total Assets	<u>\$ 125,608</u>
LIABILITIES AND FUND EQUITY	
Liabilities	
Accrued Payroll	\$ 17,580
Fund Equity	
Fund Balance	<u>108,028</u>
Total Liabilities and Fund Equity	<u>\$ 125,608</u>

The Notes to the Financial Statements are an integral part of this statement.

HART AREA FIRE ADMINISTRATIVE BOARD

Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance For the Year Ended June 30, 2004

	General <u>Fund</u>
Revenues	
Contributions from Local Units	\$ 135,589
Reimbursements and Other	1,052
Interest	<u>1,808</u>
Total Revenues	138,449
Expenditures	
Public Safety	<u>327,158</u>
Excess Revenues Over (Under) Expenditures	(188,709)
Other Financing Sources (Uses)	
Sale of Fixed Assets	<u>4,200</u>
Excess Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(184,509)
Fund Balance - Beginning	<u>292,537</u>
Fund Balance - Ending	<u>\$ 108,028</u>

The Notes to the Financial Statements are an integral part of this statement.

HART AREA FIRE ADMINISTRATIVE BOARD

Notes to the Financial Statements June 30, 2004

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Reporting Entity. The entity is organized as an Administrative Board for the Hart Fire Department whose purpose is to provide fire protection for the City of Hart and the Townships of Golden, Hart, and Weare. The Fire Administrative Board's membership is comprised of representation from the participating governmental units. Each unit involved contributes an amount based on its State Taxable Valuation.

The financial statements include all activities of the Fire Administrative Board. There are no governmental departments, agencies, institutions, commissions, public authorities or organizations within the Board, over which its elected officials may exercise oversight responsibility, that have been excluded. Oversight responsibility is considered to be derived from the Board's power and includes, but is not limited to, financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters.

Also, using the same criteria above, the Fire Administrative Board's financial statements include the accounts of all Board operations.

2. Measurement Focus, Basis of Accounting and Financial Statement Presentation. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgements are recorded only when payment is due.

Contributions from local units and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned. Other revenue is recorded when received.

3. Assets, Liabilities, and Fund Balance

Bank Deposits and Investments - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income is generally allocated to each fund based on the cash balance in each fund.

Notes to the Financial Statements (Continued)

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds". Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds".

Inventories and Prepaid Items - Payments for inventoriable types of supplies are recorded as expenditures at the time of purchase. Normally expenditures are not divided between years by the recording of prepaid expenses. There were no material inventories at year-end.

Fund Balance - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

4. Budgets and Budgetary Accounting. The General Fund is under formal budgetary control. The budget shown in the financial statements for this fund was prepared on a basis not significantly different from the modified accrual basis used to reflect actual results and consists only of those amounts contained in the formal budget approved and amended by the Board.

In the body of the financial statements, the Fire Administrative Board's actual expenditures and budgeted expenditures for the budgetary fund has been shown on a functional basis. The approved budgets for this budgetary fund was adopted at the line-item level.

P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. During the year the following overexpenditures occurred:

<u>Line-Item</u>	<u>Budget</u>	<u>Expenditure</u>	<u>Variance</u>
New Truck	\$ -	\$ 231,700	\$ (231,700)
Capital Improvements	4,000	6,033	(2,033)

5. Economic Dependency. Based on current fire protection agreements, the majority of the Board's financing comes in the form of special assessments from four units of government. The assessment is paid in installments by the participating units over the Board's fiscal year.
6. Encumbrance Accounting. The Fire Administrative Board does not use encumbrance accounting.

Notes to the Financial Statements (Continued)

7. Estimates. Managements uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities, and the reported revenues and expenditures/expenses. Actual results could differ from those estimates.

NOTE B DEPOSITS WITH FINANCIAL INSTITUTIONS

Legal or Contractual Provisions for Deposits and Investments. The Michigan Political Subdivisions Act No. 20, Public Acts of 1943, as amended by Act No. 196, Public Acts of 1997, states the Board, by resolution, may authorize the Treasurer to invest surplus funds as follows:

1. Bonds, Securities, and other direct obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution which complies with Subsection (2).
3. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
4. Repurchase agreements consisting of investments listed in 1.
5. Bankers' acceptances of United States banks.
6. Obligations of the state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
7. Mutual funds composed of investment vehicles which are legal for direct investment by a public corporation.
8. Obligations described in 1-7 if purchased through an interlocal agreement under the Urban Cooperations Act of 1967, 1967(Ex Sess) PA7 MCL 124.501 to 124.512.
9. Investment pool organized under the Surplus Funds Investment Pool Act, 1982 PA 367, 129.111 to 129.118.
10. The investment pools organized under the Local Government Investment Act, 1985 PA 121, MCL 129.141 to 129.150.

Notes to the Financial Statements (Continued)

Types of Deposits and Investments. The Fire Administrative Board maintains all of its surplus cash in a local bank in the form of time and demand deposits, all of which is in accordance with statutory requirements. The Board holds all deposits in its own name. Following is a schedule of deposits:

	<u>Carrying Value</u>	<u>Market Value</u>
Demand Deposit - Huntington Checking	\$ 4,000	\$ 4,000
Money Market - Huntington LUG	27,025	27,025
Money Market - Huntington	50,686	50,686
Time Deposit - Huntington CD	<u>10,000</u>	<u>10,000</u>
Total Deposits	<u>\$ 91,711</u>	<u>\$ 91,711</u>
FDIC Insured	\$ 64,686	\$ 64,686
Money Market	<u>27,025</u>	<u>27,025</u>
Total Deposits	<u>\$ 91,711</u>	<u>\$ 91,711</u>

Investments are normally categorized to give an indication of the level of risk assumed by the Board; however, money market funds are not categorized because they are not evidenced by securities that exist in physical or book entry form. Management believes that the investments in the funds comply with the investment authority noted above.

NOTE C RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Township carries commercial insurance. Liabilities in excess of insurance coverage, if any, are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

HART AREA FIRE ADMINISTRATIVE BOARD

Budgetary Comparison Schedule

For the Year Ended June 30, 2004

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Revenues				
Contributions from Local Units				
City of Hart	\$ 28,960	\$ 28,960	\$ 28,960	\$ -
Golden Township	61,283	61,283	61,283	-
Hart Township	29,192	29,192	29,192	-
Weare Township	16,154	16,154	16,154	-
Reimbursements and Other	-	-	5,252	5,252
Interest	<u>-</u>	<u>-</u>	<u>1,808</u>	<u>1,808</u>
Total Revenues	135,589	135,589	142,649	7,060
Expenditures - Public Safety				
Salaries				
Administration	5,000	5,000	2,360	2,640
Firemen	32,000	32,000	31,280	720
Payroll Taxes	5,000	5,000	2,532	2,468
Administrative Expense	7,000	7,000	4,994	2,006
Supplies				
Telephone	1,500	1,500	1,214	286
Gas and Oil	3,000	3,000	1,721	1,279
Insurance	20,000	20,000	14,700	5,300
Utilities	5,000	5,000	3,680	1,320
Repair and Maintenance				
Truck	10,000	10,000	7,311	2,689
Radio	20,000	20,000	2,288	17,712
Building	5,000	5,000	1,425	3,575
Equipment	18,089	18,089	15,920	2,169
Capital Improvements	4,000	4,000	6,033	(2,033)
New Truck	<u>-</u>	<u>-</u>	<u>231,700</u>	<u>(231,700)</u>
Total Expenditures	<u>135,589</u>	<u>135,589</u>	<u>327,158</u>	<u>(191,569)</u>
Excess Revenues (Expenditures)	<u>\$ -</u>	<u>\$ -</u>	(184,509)	<u>\$ (184,509)</u>
Fund Balance - Beginning			<u>292,537</u>	
Fund Balance - Ending			<u>\$ 108,028</u>	

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Hendon & Slate, P.C.

CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS



December 29, 2004

Hart Area Fire Administrative Board
PO Box 125
Hart, Michigan 49420

Dear Board Members:

In connection with our audits of Hart Area Fire Administrative Board as of and for the years ended June 30, 2004, we offer the following comments and recommendations.

Books and Records

We would again like to commend the treasurer on the condition of the books and records. We found them in excellent condition and needed only to make a few minor adjustments. The computerized system appears to be working quite well for the Board. We have provided the treasurer with the accountant's copy and copies of the adjustments that we made so that the Board's records may be up-dated.

Budgeting

The Board does a very good job of budgeting the operating revenues and expenditures of the fire department. However, we noted that the fire truck, which was purchased this year, was not included in the budget. We understand that the truck was purchased from the fund balance, but, this does not exempt this transaction from the requirement that all expenditures must be included in the budget prior to spending the funds. Generally, the Board could have either included the fund balance with the revenues as available sources and the corresponding expenditure for the truck or amended the budget to include these items at the time the Board decided to purchase the truck.

In addition, the State Budget Act for local units of government indicates the recommended budget must include the following for each fund:

- Actual expenditures for the most recently completed fiscal year;
- estimated expenditures for the current fiscal year (to be arrived at by using actual expenditures to date and estimating expenditures to the end of the fiscal year);
- an estimate of the expenditures for the next fiscal year;
- actual revenue for the most recently completed fiscal year;
- estimated revenue for the current fiscal year (to be arrived at by using actual revenue to date and estimating revenue to the end of the fiscal year);
- an estimate of the revenue in the next fiscal year;
- beginning and ending fund balance for each year;
- an estimate of the amounts needed for deficiency, contingent, or emergency purposes;
- other data relating to fiscal conditions that the chief administrative officer considers to be useful in considering the financial needs of the local unit.

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We are enclosing a sample budget document to assist you with understanding this requirement. This information should be provided to the Board when every preparing the budget for any fiscal year. Please refer to the Budget Act and the General Appropriations Act for further information on these requirements.

GASB 34 - Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments

This year the Board was required to implement GASB 34 to be in compliance with the generally accepted accounting principles for local units of government. The Board has elected to not fully implement this accounting principles, due to the additional costs which would be incurred in the changes needed to the financial statements. Therefore, the enclosed audit report indicates this departure from generally accepted accounting principles. The statements which are presented in the financial statements this year are in accordance with the State guidance which indicates that a governmental unit may elect to adopt GASB 34 except for the omission of the following sections will not result in any sanctions: the Government-wide financial statements, the Management's Discussion and Analysis and the Infrastructure Reporting. Since the financial statements do not include these items, we were required to indicate the departure in the audit report.

If the Board elects to fully comply with the standard in the future, we will need to receive a list of all fixed assets (over a capitalization policy amount, if the Board adopts one), the date of purchase, the value at the date of purchase (estimated, if no longer available), the estimated useful life of the asset, and the salvage value of the asset (if the Board elects to have any). Also, the Board (or a member of the Board's management) will need to provide our office with the Management Discussion and Analysis (MD&A) to be included in the financial statements.

We would be happy to assist the Board with the implementation of any of the above recommendations, including adopting GASB 34. Please feel free to contact our office for such assistance. Also, thank you for the courtesy extended to us during our audit. We look forward to a continued relationship with the Hart Area Fire Administrative Board. If you have any questions regarding the audit report, this letter or any other communication, please do not hesitate to call.

Respectfully submitted,



Jodi DeKuiper, CPA
Hendon & Slate, P.C.

Sample Adopted General Fund Budget

This would be the information to adopt the 3/31/00 Budget

Account Number	Description	3/31/98 Actual Prior Year	3/31/99 Estimated Current Year-end	3/31/00 Estimated Future Period
Revenues				
403	Property Taxes	\$ 260,175	\$ 272,500	\$ 280,400
445	Penalties, Interest	12,300	11,000	11,500
451	Mobile Home Taxes	700	750	750
574	State Shared Revenue	280,100	286,300	290,250
610	Property Tax Administration Fee	2,602	2,725	2,804
614	Zoning Permits	1,200	1,600	1,700
628	Summer Tax Fees	-	6,000	7,500
655	Interest Earned	29,650	32,000	31,000
Total Revenues		586,727	612,875	625,904
Expenditures				
101	General Government	7,200	7,000	7,500
171	Supervisor	21,660	22,500	24,000
191	Elections	900	4,600	600
209	Assessor	67,035	16,800	23,000
215	Clerk	23,400	24,500	26,500
247	Board of Review	550	550	750
253	Treasurer	27,340	28,000	29,500
289	Hall and Grounds	94,780	41,000	43,000
301	Police Department	236,088	277,000	279,000
336	Fire Department	64,660	71,000	71,000
441	Zoning Department	22,092	23,500	24,400
445	Drains at Large	44,580	-	74,000
751	Parks and Recreation	12,650	16,500	18,000
890	Contingency	-	13,000	9,000
Total Expenditures		622,935	545,950	630,250
Operating Suplus (Deficit)		(36,208)	66,925	(4,346)
Beginning Surplus (Deficit)		81,898	45,690	112,615
Year-end Surplus (Deficit)		\$ 45,690	\$ 112,615	\$ 108,269
		(Actual)	(Estimate)	(Estimate)